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the clearing house is obliged to issue loan certificates for the protection of solvent firms temporarily embarrassed," etc. Again, on page 359 it is stated that, by the issue of loan certificates "the banks are able without fear to extend credit to their solvent customers and thus thousands of deserving firms are saved from failure." The only previous definition of loan certificates is on page 262 where they are said to be issued in times of dire emergency and are "in the nature of temporary loans made by the banks associated together as a Clearing House association to the members thereof for the purpose of settling Clearing House balances." This definition might convey to the mind of an uninstructed person the idea that the certificates were a kind of fiat money issued on the credit and responsibility of all the banks joined together, in which case there is no reason why there should be any limit to the amount of them. In fact each certificate of \$5000 recites that the bank to which it is issued has deposited securities with the loan committee of the clearing house amounting to 25 per cent more than the face value of the certificate and that it will be received in settlement of debit balances at the clearing house. The manager of the clearing house will accordingly turn over the certificate, when it comes into his hands, to some bank which has a credit balance equal to, or in excess of, \$5000. In other words the strong banks loan their surplus cash to the weak ones on the security of the bills receivable held by the loan committee, and receive compensation in the way of interest which the certificates bear. The clearing house is not responsible for the redemption of the certificate but only for the safekeeping and the redelivery of the securities. The limit to the issue of loan certificates is measured by the ability of the creditor banks to absorb them. Before this limit is reached it may happen that the banks begin to curtail the payment of cash to their customers over the counter. This is really bank suspension but the legal penalties of such default are seldom or never enforced.

HORACE WHITE.

The Principles of Bond Investment. By LAWRENCE CHAMBERLAIN. (New York: Henry Holt and Company. 1911. Pp. xiii, 551.)

The Work of the Bond House. By LAWRENCE CHAMBERLAIN. (New York: Moody's Magazine Book Department. 1912. Pp. 157. \$1.35.)

Not only will the investor be instructed by these volumes, but many economists will find them useful and suggestive. The larger work covers the entire field of bond investment with the exception of industrial bonds. Bonds supported by taxing power, especially those of states and municipalities, are given detailed consideration. The treatment of this subject is clear and thoroughgoing. The exposition of the mathematics of bonds is quite adequate for every practical purpose. On the bonds of corporations the treatise is less satisfactory. An excessive amount of space is given to an elaborate classification of bonds, a matter which might well have been relegated to a glossary. Elsewhere also descriptive matter in abundance is furnished on topics which require careful analysis together with ample specific illustrations. On railroad bonds, for example, a summary account is given of the various kinds of data to be found in railroad reports. But in the absence of detailed analysis of the reports of particular roads over a series of years it may be doubted whether the exposition will start investors very far on the way toward intelligent discrimination in the purchase of railroad bonds.

The effect of rising commodity prices on the market quotations of bonds with distant maturities is a matter to which investors seem now to be giving somewhat belated attention. Mr. Chamberlain, by a process of reasoning far from convincing, reaches the conclusion that this depressing influence is not likely to continue very much longer. One may venture the opinion that the bond houses in the interest of investors would be well advised to insist that issues of bonds should mature within a relatively short period—say from ten to fifteen years.

Aside from this question the smaller volume contains all, and upon some points more of discussion of problems of general interest relating to dealings in bonds; and will, therefore, serve every purpose for most economists. While the enormous expense of marketing bonds under the present system of distribution is recognized by the author, he seems hopeless of any appreciable improvement in the future. It is argued that under any other arrangement, such as sales through local bankers as agents, the bond houses would cease to protect the issues which they have marketed. The reasoning here is not entirely convincing since it would be necessary for the bond houses to cultivate and keep the good will of the local bankers through whom their securities were marketed.

To economists these volumes are of particular value because of the light they throw upon one of the most important single influences determining the capitalization of corporations. Investment bankers are primarily interested in providing and marketing securities which in safety of principle and steadiness of yield shall meet the expectations which induce their purchase by investors. The requirements which are requisite to secure this result may be divided into two classes to which the terms static and dynamic may be applied. Under the static method a particular security is surrounded with safeguards designed to give a lien upon definite property, the value of which it is reasonable to expect will always be greater than the securities themselves. Restrictions on issue of additional securities having a similar lien and provisions for a sinking fund, especially if assets are of a wasting character, are also essential features of this form of protection. When capital has been raised in this way the corporation can only appeal to the speculative investor for such additional capital as may be required. Safeguards on one class of securities are made so drastic as to render all others more or less speculative. In these circumstances it is difficult to see how it will be possible to secure capital even by public service corporations without some injection of water into the junior securities placed upon the market. In the course of time we may come to finance such companies by means of stock issues alone; but at present the financial machinery is in large measure lacking. Conservative investors are reached through bond houses; those with distinct speculative propensities are offered the kind of speculative securities they desire. During recent years there has been some development of machinery for the marketing of conservatively issued stocks of companies all of whose capitalization represents tangible property or fairly well assured earning power. Such developments as these do not fall within the scope of the volume before us. It is a development, however, which may properly be mentioned here since Mr. Chamberlain seems not unwilling to leave the impression in the mind of the reader that only bonds can by any possibility be regarded as a conservative investment.

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